THE CONNECTION

FALL 2002

If you have questions or comments on any information contained in *The Connection*, please contact Vivian Pendleton at (360) 664-7654 or email: vivian.pendleton@ofm.wa.gov

Sweeping Changes in Civil Service Reform & Collective Bargaining

The _Personnel System Reform Act of 2002_ will result in the most sweeping changes to the state's civil service system since it was created more than forty years ago.

In addition to expanding the scope of collective bargaining, civil service reform also provides the opportunity to create a totally new, vastly improved, human resource (HR) system for state government. This includes new rules and processes for hiring, classification and compensation, performance management, training, corrective/ disciplinary action, reduction-in-force, and more.

Beginning now, and over the next three years, the Department of Personnel (DOP) will be working with state employees, agency managers, agency human resource professionals, and higher education managers and HR staff to design and implement a new human resource system for state employees.

The new system will apply in total for those employees who are not covered by a collective bargaining agreement and in part for those who are covered by collective bargaining.

In order to design the best system possible, the DOP is doing extensive research on best practices that are being used by other employers — both public and private sector — throughout the country.

DOP is also using a variety of methods, including surveys and focus groups, to gather ideas and feedback from state employees, managers, HR staff, and other customers about what they would like to see in the new system.

For additional information, please visit DOP's website at: Washington State Civil Service Reform - Dept of Personnel http://hr.dop.wa.gov/hrreform/default.htm.

The Old Ways of Being Will No Longer Serve Us

Comments from the Assistant Director, Sadie Rodriguez-Hawkins

Sadie Rodriguez-Hawkins

Just when we thought things couldn't possibly get worse, we find ourselves facing challenges of even greater proportions. For example, who would have thought Washington State would be immersed in sweeping changes surrounding Civil Service Reform and Collective Bargaining while at the same time facing a huge economic crisis?

To further complicate matters, conversations today are peppered with comments on "The Price of Government, Activity Inventories, the effects of GASB 34, Enterprise Planning, the need for Governmental Accountability," and the list goes on.

We wonder, "What do these issues mean, where are the conversations going, and how will the decisions made impact our livelihood?" Rather than ignoring these issues, or waiting for someone else to respond to them, some state employees are rallying to meet the challenge. In fact, we view our current situation as an opportunity to demonstrate our resilience and ability to succeed in difficult times.

We know we will need new ways of thinking to carry us through the tough times ahead. Good planning and partnerships must become our priorities – "two heads are better than one." It is time to ask the hard questions and come to solutions that are best for the people of Washington State. This may mean that we have to give up a few things, or stop providing some services.

We are not going into these discussions blindly; we recognize wise decisions will not come easily or without a cost. Individually and collectively, we are invited to reach deeper and to stretch further than we ever imagined possible. Now, more than ever, we recognize that the old ways of being will no longer serve us.

Gaining Efficiencies – A Different Approach

The demand for more efficient business processes, improved management practices, and greater value from the State's systems investments requires a fundamental shift toward an integrated enterprise focus. The Enterprise Strategies Committee (ESC) was formed in August to address these demands.

ESC will provide a comprehensive, coordinated, enterprise-wide focus on core financial and administrative policies, procedures and systems, using the following business strategies: Streamline business processes, Pursue economies of scale, Enhance data integrity and value, Improve core management systems, and Design for adaptability.

For more information, please contact Susan Dodson at susan.dodson@ofm.wa.gov / 360- 664-7689.

Watch for additional information on this new committee in future editions of The Connection.
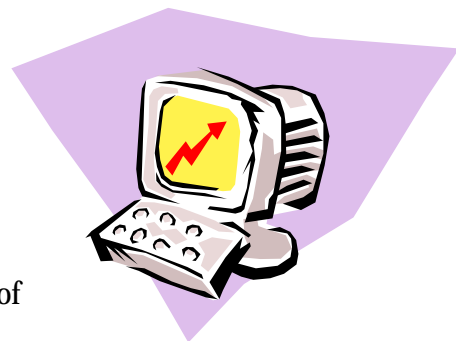
Overview of Civil Service Reform Legislation

The *Personnel System Reform Act of 2002* was passed by the 2002 Washington State Legislature and was signed by Governor Gary Locke. This legislation calls for sweeping changes to the state's civil service system, including:

- **The classification system will be completely revamped.** The number of job classifications will be substantially reduced and the system will be modernized to facilitate effective delivery of state services, to give agencies flexibility to meet changing needs, and to enhance mobility and career advancement opportunities. The Washington Personnel Resources Board will conduct a comprehensive review and will adopt new rules no later than March 15, 2004. Implementation of the new classification system will begin by January 1, 2005.

- **The scope of collective bargaining has been greatly expanded.** Wages, hours, the dollar amount provided for insurance benefits, and other terms and conditions of employment are mandatory subjects for bargaining. Some subjects are excluded from bargaining, including: pensions; inherent managerial policy such as agency functions, programs, budget, organizational structure, and use of technology; size of the workforce; financial basis for layoff; and directing and supervising staff.

  The Governor's Office will negotiate collective bargaining agreements for state agencies. The governing board of each higher education institution may negotiate it's own contract, or may choose to have the Governor's Office conduct negotiations on its behalf.

  Confidential employees, members of the Washington Management Service, internal auditors, and staff from DOP, the Office of Financial Management, and portions of the Attorney General's Office will be exempted from coverage under bargaining agreements.

- **Contracting out of services "traditionally and historically provided by state employees" is no longer prohibited.** Competitive contracting is allowed, with state employees having the opportunity to offer alternatives to contracting and the ability to compete for the work.

- **The Personnel Appeals Board will be abolished and the role of the Washington Personnel Resources Board (WPRB) will change.** The director of DOP will assume many of the rule-making functions currently handled by the WPRB. In turn, the WPRB will handle all appeals regarding discipline, exemptions, reductions-in-force, and violations of civil service rules for those employees not covered by collective bargaining. The Personnel Appeals Board will be abolished as of July 1, 2006.

- **The Public Employment Relations Commission (PERC) will administer collective bargaining agreements.** The Employee Relations and Hearings Unit that is currently part of DOP will become part of PERC.

For additional information, please visit DOP's website at:
Washington State Civil Service Reform - Dept of Personnel
http://hr.dop.wa.gov/hrreform/default.htm.

Key Dates for Implementing Civil Service Reform

June 2002
- Salary Survey streamlined
- Bargaining unit determination and representation transferred from Department of Personnel (DOP) to Public Employee Relations Committee (PERC)

July 2003
- Review of classification system completed by 7/1/03

Sept 2003
- Collective bargaining parties meet to discuss potential impact on mainframe payroll system of changes they plan to negotiate

March 2004
- Washington Personnel Resources Board adopts new classification rules by 3/15/04

July 2004
- Remaining labor relations responsibilities transferred from DOP to PERC
- Collective bargaining begins no later than July of 2004
- Director of DOP given rule-making authority

January 2005
- Implementation of new classification system begins by 1/1/05

July 2005
- New collective bargaining agreements effective by 7/1/05
- Contracting out provisions apply
- Personnel Appeals Board (PAB) responsibilities are transferred to Washington Personnel Resources Board

July 2006
- PAB abolished

Civil Service Reform/ Collective Bargaining Feasibility Study

The Department of Personnel (DOP) must determine the impacts of the new civil service and collective bargaining rules and processes on the state's central payroll/personnel computer systems.

The current systems are outdated and unable to support modern human resource practices and the changing needs of state government.

DOP and the Office of Financial Management (OFM) have engaged Dye Management Group, Inc. to conduct a Feasibility Study to determine technical options for the computer systems that will support the new regulations.

The scope of the study includes the new payroll, personnel, and leave rules that must be in place by July 2004 as well as some long-term recommendations beyond the immediate needs of the 2003-05 Biennium.

The Feasibility Study team is capitalizing on the work already done by DOP and OFM to identify the new civil service and collective bargaining business needs. They will also consider industry "best practices" for a modern personnel/payroll system.

These business requirements will provide the foundation for the study's gap analysis; a process by which the requirements are compared to the capabilities of current central payroll and personnel systems.

The gap analysis will become the basis for the final report and recommendations, due in December 2002. The report will be forwarded to the Legislature to justify funding to upgrade or replace the information systems to support the civil service system and collective bargaining.

For more information about the Civil Service Reform/Collective Bargaining Feasibility Study, contact Kathy Rosmond at kathyr@dop.wa.gov /360-664-6413.

Another CAFR Certificate of Achievement
Our 15th Consecutive Year!

We are happy to announce that Washington State was awarded the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting for our Fiscal Year 2001 Comprehensive Annual Financial Report (CAFR).

This award was made possible by the dedication and professionalism of financial and management personnel of each state agency and institution of higher education.

Congratulations to everyone who contributed to this effort!

To view the Fiscal Year 2001 CAFR, please visit our website at www.ofm.wa.gov/cafr/2001/cafr01toc.htm. If you have any questions, contact the OFM Statewide Financial Consultant assigned to your agency.
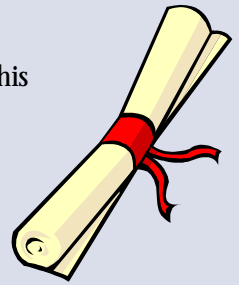
A More User-Friendly CAFR

The Governmental Accounting Standards Board has developed a new format for the CAFR. This format makes annual reports more comprehensive, easier to understand, and offers a:

- View of the state as a whole, as well as by major fund,
- Non-technical analysis of the state's financial activity and,
- More user-friendly report.

Some of the major changes that resulted in this new format include the addition of:

- Two government-wide financial statements,
- The Management's Discussion and Analysis, and
- Reporting transportation infrastructure assets.

We really appreciate all of the support and cooperation we have received from state agencies that have been impacted the most by these changes - especially the Department of Transportation (DOT).

Staff at DOT, led by Marcy Yates, has worked many hours on the new requirement to report transportation infrastructure assets. *Thank you, DOT!*

If you have any questions, please contact the OFM Statewide Financial Consultant assigned to your agency.

Small Agency Information Technology (IT) Initiative

At the request of the Office of Financial Management (OFM), the Department of Information Services began researching the IT needs of small agencies, boards and commissions in October of 2000.

As a result of the study, a high level of interest from the executive branch and feedback from small agencies, boards and commissions, OFM created the Small Agency Information Technology Initiative.

The Initiative was undertaken with the goal of connecting as many small state agencies as possible to the State Governmental Network and to procure new hardware and software for those requiring it.

The expected benefits of the Initiative are:

- Increased access to state services,
- Access to Washington's statewide web applications via the Inter/ Intranet,
- Increased use of shared hardware/ software,
- A more secure environment for small agencies to operate in,
- The ability to interact with other state agencies, and
- The ability to implement digital government initiatives.

For more information on the Initiative, please contact Connie Michener at ConnieM@dis.wa.gov / 360-902-3526, or Yolanda Wilson at Yolanda.Wilson@ofm.wa.gov / 360-664-7668.

BASS Salary Projection System Resurrected

As BASS winds down the upgrade/maintenance of current systems supporting the budget development cycle, we are able to re-focus our efforts on the Salary Projection System (SPS). Our plan is to have a SPS that will meet agency needs in developing staffing-related estimates in time for the 2003-05 allotments. Due to the quick turnaround time required, the first release of SPS will only support the business process for developing allotments.

Our goal for the first release is to produce a product that will include enough core functionality for allotments and can provide a solid base that will enable future enhancements to support other salary-related business processes.

The first step to meeting this goal is to ensure we understand customer requirements for the new system. This process started in December 2000 when MTG Management Consultants began a process of gathering requirements, using a customer representative group.

Over the past month, we have been working with the customer group to further refine these requirements and identify the most critical ones to include in the initial release of SPS. We are doing an in-depth review of the requirements to determine the functionality needed to accomplish tasks associated with salary projections.

Our second step would have been to provide a prototype and beta review of the system. However, due to the shortened time frame, this will not be possible. Instead we will focus on validating requirements with customers and conducting a detailed review once the system design is completed. We will also be providing a demo of the new system in the Spring of 2003, prior to production release.

If you have any questions or comments, please contact Vicki.Rummig@ofm.wa.gov / 360-725-5268.

Preparing your Electronic Feasibility Study (EFS)

To help you ensure compliance with state law and policy, and save yourself time-consuming revisions, we have recently added *Helpful Hints* for preparing an EFS to our *Administrative and Accounting Resources* E-Commerce site at www.ofm.wa.gov/policy/ecomm.htm. These hints share information on what to consider, things to do and ways to avoid the common mistakes made during EFS preparation.

For more information and/or to schedule training on the EFS process, please contact Deborah M. Feinstein at deborah.feinstein@ofm.wa.gov / (360) 664-7670.

Avoid Common EFS Mistakes!

Fall Policy Updates

To the State Administrative and Accounting Manual (SAAM)

Highlights

Effective October 1, 2002, clarification changes have been made to:

- Chapter 10: Travel
- Chapter 60: Moving Expenses
- Section 70.40: Motor Vehicle Management and Use

Details

There are limited changes to lodging rates and numerous changes to subsistence rates.

Tacoma (Pierce County) has been designated as a *high cost* area. A new $50 tier has been created for meals, and Seattle (King County) is included in this new tier.

References to schedules A, B, and C were removed from Section 10.90. The information previously included in Schedule A is now in Subsection 10.90.20.

Because of numerous interim changes to the per diem rates by the General Services Administration (GSA), Schedule B is no longer available on the OFM Administrative and Accounting Resources site.

To view the most current per diem rates, please use the internet links in the travel policy or go directly to the GSA website http://www.gsa.gov/travel.htm.

If you have questions on these revisions, please contact Andrea Brown at Andrea.Brown@ofm.wa.gov or (360) 664-7773 or the Accounting consultant assigned to your agency.

The complete text of SAAM can be found at www.ofm.wa.gov/policies.htm.

Who's New?   in Accounting

New FRIP Team Members

Esther Fredson
Esther Fredson joined the Financial Reporting Improvement Project (FRIP) Team in May 2002. In her last position, she was a Fiscal Program Manager for the Electronic Benefits Transfer Project, and helped to implement statewide use of debit cards for clients to access their cash and food benefits.

Esther, presently with DSHS' Financial Services Administration, is assigned to the FRIP Team as a Product Manager. She is working to identify and prioritize business requirements, and develop/implement a training plan for the new reporting system. Esther enjoys bowling and spending time with her eight grandchildren. She can be reached at Esther.Fredson@ofm.wa.gov / 360-664-7732.

June Hansen
June Hansen joined the FRIP Team in July 2002. She is a DSHS client server developer who helped develop client server solutions to meet the needs of DSHS customers.

June helped develop the FRIP Information Website that was introduced in mid September. She is presently working with the team in designing and developing an online training module.

Some of June's hobbies and interests include color theory, sailing, digital security, keeping Symphysodon Discus (freshwater tropical fish), gardening, forensic science and digital photography. June can be reached at June.Hansen@ofm.wa.gov / 360-664-5594.

GAAP Update Satellite Teleconference

Available in November

OFM will host this year's Governmental GAAP Update satellite teleconference presented by the Government Finance Officers Association (GFOA). Stephen Gauthier, Director, GFOA Technical Services will be the conference Speaker.

The conference will feature a range of topics, including:

- The Governmental Accounting Standards Board's (GASB) exposure drafts on investment risk and other post employment benefits,
- Various topics related to the new reporting model, and
- A review of GASB's technical agenda.

The teleconference will be held on Thursday, November 7, 2002, from 10:00am to 2:00pm. The downlink site will be the Olympia-Grays Harbor Room of the Educational Service District #113, 601 McPhee Road S.W., Olympia.

GFOA will charge an attendance fee. You can register on-line at GFOA's website: http://www.gfoa.org/services/training.shtml. OFM's Site Code is WA04.

Who's New?

Mei Yueh Lee

Mei Yueh Lee, joined Small Agency Client Services on September 27 as a part time Financial Analyst I. She worked at the Washington State Gambling Commission for eight years prior to joining OFM. Mei Yueh has also worked as a volunteer instructor of Chinese language at an Olympia school. She is looking forward to working at OFM and meeting new people.

Mei Yueh and her husband have a daughter at the University of Washington, a son attending Olympia High School, and a "hyper" dog named Buddy. She enjoys the Northwest because of her two hobbies – hiking and camping. When it rains, she enjoys curling up with a great book. Mei Yueh can be reached at Mei-Yueh.Lee@ofm.wa.gov / 360-664-7775.

Sanchi Subramaniam

Sanchi Subramaniam joined OFM on September 23, 2002, as a Systems Analyst. He has been a software developer for nine years, and has a Bachelor's degree in Electronics and Communications. Before joining OFM he worked at Centura Corporation, Siemens, Frank Russell Company and Credence.

Sanchi enjoys traveling, reading about history and playing cricket and soccer. Sanchi can be reached at sanchi.subramaniam@ofm.wa.gov / 360-664-7730.

Thy Nguyen

Thy Nguyen joined OFM on September 19 as a Statewide Systems Communications Assistant. She is assigned to the Enterprise Planning unit. Thy's communication skills and prior experience with our systems, gained during her two summer internships with OFM, make her an ideal addition to this group.

Thy will begin her Master of Public Administration (MPA) program at The Evergreen State College this year. Her hobbies include playing the piano and taking dance lessons. Thy can be reached at Thy.Nguyen@ofm.wa.gov / 360-664-7682.

Glen Tapanila

We are pleased to announce that Glen Tapanila returned to OFM's Statewide Financial Systems unit on September 16 as a Project Manager. Glen worked for us until a few years ago when he moved to DIS to help manage their Digital Academy. He retired from DIS at the end of July 2002. Glen will be located at Point Plaza and will initially manage our Travel Voucher and Accounts Receivable projects.

In his spare time Glen enjoys golf, yoga and reading. He can be reached at Glen.Tapanila@ofm.wa.gov or (360) 664-7707.

FASTRACK Updates

Milestone

Enterprise Reporting has completed an upgrade of FASTRACK's software to Seagate 7.5 and Crystal Report 8.0, while also upgrading to Window 2000, SQL 2000 and IIS-5. At the same time, five additional customer financial reports and 22 CAFR reports were completed by early August 2002 - just in time to be used for the fiscal year closing process.

Next Steps

We are now ready to embark on our next release to deliver additional enhancements to existing and new reports to our customers. Some of the major features will be:

- *Download reports* with all possible coding columns in the Expenditure Activity, Revenue Activity and General Ledger Account Analysis report categories. The additional downloading capabilities would streamline the process or reduce the effort of reformatting or resorting the data for the customers.

- *Encumbrance reports* in several different sorts and formats.

- *Payment Activity by Vendor report* – this would provide all payment activities for vendors rather than just the payments related to expenditure as shown on the existing Expenditure Activity by Vendor Report.

- *Additional new reports and account code parameters for existing reports* – this will enable customers to do more filtering and get specific information as needed.

Our estimated completion date for these new reports/features is December 31, 2002. Each report will be introduced to our customers as it becomes available over the next four months. In the meantime, the team will continue to focus on improving reliability and web performance.

We will be forming an *Enterprise Reporting Steering Committee* sometime in November 2002. The role of the steering committee will be to help establish the strategic direction for the continued evolution of OFM's *Enterprise Reporting Systems* for FY 2003-05 and beyond.

For more information or questions, please contact Muoi Nguy at muoi.nguy@ofm.wa.gov / (360) 664-7699.

IRS Update Classes – Available Again This Fall

The following Internal Revenue Service (IRS) training classes will be available for the Fall Quarter of 2002:

Date	Topic	Location
October 17	Federal/State Employer Tax Procedures	Olympia
October 18	Compliance: Independent Contractor vs. Employee	Olympia
October 21	Forms 1098/1099 Reporting and Backup Withholding	Olympia

This training will provide attendees with the most current IRS/Social Security regulations on the noted subjects. Agency personnel who have federal reporting responsibility are encouraged to attend.

The IRS has indicated that they will also provide these and a Taxable Fringe Benefit class during the 2003 calendar year.

On-line registration for these classes is available at our OFM website: http://www.ofm.wa.gov/training.htm. If enrollment assistance is needed, please contact our Training Line at 360-725-5280. Questions regarding course content should be directed to Millie Lund at millie.lund@ofm.wa.gov /360-664-7678.

AFRS/DRS Tech Notes

Approaching Fast!

Year 2002 IRS 1099-MISC Tax Reporting Time

Start planning now, to ensure your agency is properly prepared for Tax Year 2002 Internal Revenue Service (IRS) Form 1099-MISC reporting. The best way to ensure your agency is compliant with IRS regulations, and to avoid penalties, is to assign a primary (and a backup) person to manage the reporting process. This should be done as early in the year as possible, to allow them adequate preparation time.

The assigned personnel should:

Review and become familiar with the Year 2002 IRS 1099-MISC and IRS Form W-9 instructions. The IRS can impose monetary penalties if their instructions are not complied with. These instructions can be found at the IRS site: www.irs.gov.

Identify the vendors who are IRS 1099 reportable. This is very important. If you cannot identify *who* is reportable, you cannot effectively prepare and report IRS Forms 1099-MISC. Review of your prior year IRS 1099-MISC records may be useful in helping you determine who is reportable. Realize, however, that vendor reporting eligibility could have changed since the prior year.

If you use the Agency Financial Reporting System/Disbursement Reporting System (AFRS/DRS) IRS 1099-MISC features to prepare, print and report your IRS 1099s, you are encouraged to take the following actions:

Mark your calendar with the critical dates for printing and reporting:
January 31, 2003
Printed IRS Forms 1099-MISC must be mailed by this date.

March 21, 2003
Last day to update IRS Forms 1099-MISC in the AFRS/DRS IRS 1099 reporting system before OFM transmits the records to the IRS.

You can avoid assessment of monetary penalties by the IRS by mailing IRS 1099s on time and furnishing correct payee statements.

Review vendor records and payment records of reportable vendors to determine if the taxpayer identification number (TIN), tax type, and IRS box number are correct in the payment and warrant cancellation transactions of vendors that have been identified as IRS 1099-MISC eligible.

Vendor record TIN, tax type, and IRS box should be updated as necessary so that future payments will be correctly coded.

These steps will help improve the accuracy of your agency IRS 1099s.

Determine if your agency used appropriate vendor numbers when canceling warrants. If vendor numbers were not used when canceling warrants, your 1099s may be overstated.

Determine if your IRS 1099 reportable vendors are supported by IRS Form W-9s (or an acceptable substitute). Also be sure to keep IRS Forms W-9 on file. IRS visitors to your agency may ask to review this file.

Coordinate with your payroll or human resources personnel to determine if any agency employees died during the year. IRS 1099-MISC reporting may be necessary for these employees. You can avoid IRS 1099 reconciliation problems by agreeing with your payroll personnel about who will create the 1099s for deceased employees.

Assign correct AFRS/DRS security levels to persons responsible for your agency 1099s. Because IRS 1099 accuracy is very important, and the information is sensitive, assign update access to 1099 related screens only to those persons responsible for your agency's IRS 1099-MISC preparation and reporting. Persons who do not have a need to access the information online or in print should not be given system security access to the AFRS/DRS IRS 1099 screens.

Have appropriate personnel attend IRS 1099 training classes. Classes have been scheduled for DRS (Disbursement Reporting System) users and AFRS (Agency Financial Reporting System) only users. The training catalog and schedule can be found at http://www.ofm.wa.gov/training.htm.

You are encouraged to attend training classes even if you have been responsible for IRS 1099-MISC preparation in prior years. The classes emphasize how to use the system to prepare and print your IRS 1099-MISC forms. Two types of classes are offered:

✔ *IRS Form 1099 Processing for DRS Users* Agencies that will use the Disbursement Reporting System to create the IRS 1099 records should enroll appropriate personnel in one of these classes.

✔ *IRS Form 1099 Processing for non-DRS Users* Agencies that do not use the Disbursement Reporting System, but want to create their IRS 1099 records online for printing and electronic reporting, should enroll appropriate personnel in one of these classes.

These training classes will be more meaningful if participants become familiar with the IRS 1099-MISC reporting instructions prior to attending.

If you have any questions, please contact Phil Taylor at phil.taylor@ofm.wa.gov / 360-664-7712.